



Agenda Date: 3/29/06
Agenda Item: IVB

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE VERIFIED
PETITION OF CLEARTEL
COMMUNICATIONS, INC. AND CLEARTEL
TELECOMMUNICATIONS, INC. FOR
APPROVAL OF A FINANCING
TRANSACTION)

TELECOMMUNICATIONS

ORDER

DOCKET NO. TF06010026

(SERVICE LIST ATTACHED)

BY THE BOARD:

On January 18, 2006, Cleartel Communications, Inc., ("CCI") and Cleartel Telecommunications, Inc. ("CTI" and together with CCI, "Petitioners"), filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9, requesting approval to participate in certain debt and debt-related financing arrangements described more fully below. Petitioners seek authority to incur debt obligations of up to \$10 million and to pledge their assets to secure the credit facility.

CCI is a Delaware corporation with principal offices in Delray Beach, Florida. Established in 1998, CCI, through its wholly owned subsidiary, CTI, Cleartel Telecommunications of Virginia, Inc., NOW Communications, Inc., Telecom Communications Corp., IDS Telcom Corp. and NII Communications, Ltd., offers local, Internet, and long distance services to both residential and business users in 30 states.

CTI f/k/a Essex Acquisition Corp. is a Delaware corporation with principal offices located in Delray Beach, Florida. CTI is a wholly owned subsidiary of CCI. In New Jersey, CTI is authorized to provide interexchange and local exchange telecommunications services pursuant to Docket No. TE02100775, issued on December 18, 2002. CTI is also authorized to provide facilities-based and/or resold interexchange and/or competitive local exchange telecommunications services in approximately 15 states, including New Jersey.

Petitioners request Board approval to incur debt obligations of up to \$10 million and approval of a grant of a security interest in Petitioners' assets as collateral for such debt. Specifically, Petitioners, as co-borrowers, have entered into a Revolving Credit Facility and Security Agreement ("Agreement") with PNC Bank. The Agreement provides for a revolving loan in an amount of up to \$10 million. The interest rate for the revolving loans will be PNC's base commercial lending rate plus .50% per annum or the 30, 60, 90 day LIBOR rate plus 3.00% per

annum, in each case, as selected by Petitioners at the time of each individual draw-down. The revolving loan has a maturity date of December 30, 2008. Petitioners will use a portion of the proceeds to repay approximately \$1.2 million in existing indebtedness. Any draw-downs beyond this amount will be used to increase operating capital. As part of the Agreement, Petitioners agreed to enter into an arrangement whereby Petitioners would grant a security interest in all of their tangible and other assets.

Petitioners emphasize that participation in the financing transaction will not result in a change in Petitioners' management or in their day-to-day operations in New Jersey; nor will it adversely effect Petitioners' current or proposed operations in New Jersey. Petitioners state that the financing will enable Petitioners to better utilize their available funds to bring their services to new markets and allow more consumers to benefit from its competitive services more quickly and efficiently. Accordingly, and to the extent required, Petitioners respectfully request that the Board approve the Petitioners' financing arrangements described herein.

Petitioners submit that the approval of the proposed financing arrangements described herein will serve the public interest in promoting competition among telecommunications carriers by providing Petitioners with the opportunity to strengthen their competitive position through access to greater financial resources. Furthermore, by increasing the breadth and scope of telecommunications services made available through an increased ability to expand Petitioners' operations, greater access to capital will also strengthen Petitioners' ability to bring competitive telecommunications services to consumers in the State of New Jersey. This financing transaction will be transparent to consumers and consumers will benefit from the continued receipt of quality telecommunications services that are priced competitively.

On February 15, 2006, the Division of Ratepayer Advocate submitted a letter to the Board recommending that the Board approve the petition.

The Board, after investigation, having considered the petition and the related documents submitted in this proceeding, and finding that the transactions are in accordance with law and are not contrary to the public interest, and approving the purposes thereof, HEREBY ORDERS that Cleartel Communications, Inc. and Cleartel Telecommunications, Inc., are HEREBY AUTHORIZED to participate in the financing transaction as hereinabove described.

This order is subject to the following provisions:

- Petitioners shall notify the Board, within five business days, of any material changes in the terms of the loan, and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
2. Petitioners shall notify the Board of any material default on the terms of the loan within five business days of such occurrence.
3. The Board's approval is expressly limited to the financing described herein and as more fully described in the Petition and supporting documents.

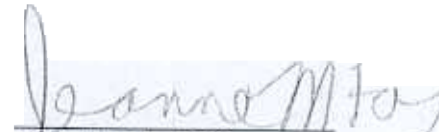
4. Petitioners shall semi-annually file with the Board a statement setting forth: (a) the amount of indebtedness issued under this Order, and (b) the extent to, and in detail, the manner in which the proceeds thereof have been disbursed pursuant to N.J.A.C. 14:1-5.9 (b).
5. Petitioner shall notify the Board of the closing of the proposed transaction promptly upon consummation.
6. This Order shall not affect or in any way limit the exercise of the authority of the Board or of the State in any future petition with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters affecting Petitioners.

This order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by the Petitioners.

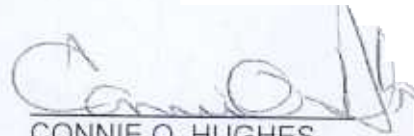
8. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents approved herein, a default or assignment under such transactions or documents does not constitute automatic transfer of Petitioners' assets. Board approval must be received pursuant to N.J.S.A. 48:1-1 et seq., where applicable, prior to any transfer.

DATED: 3/31/06

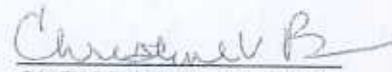
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

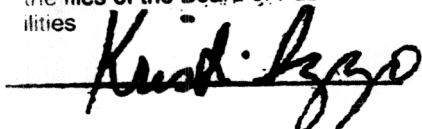

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

HEREBY CERTIFY that the within
document is a true copy of the original
the files of the Board of Public
Utilities



SERVICE LIST

In the Matter of the Verified Petition of Cleartel Communications, Inc., and Cleartel Telecommunications, Inc., for Approval of a Financing Transaction

Docket No. TF06010026

Mark Beyer
Chief Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Seema M. Singh, Esq.
Division of the Ratepayer
Advocate
31 Clinton Street, 11th Floor
PO Box 46005
Newark, NJ 07101

James H. Laskey
Norris McLaughlin & Marcus, PA
P.O. Box 1018
Somerville, NJ 08876-1018

Robert Wojciak
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Jose Rivera-Benitez, Esq.
Division of the Ratepayer
Advocate
31 Clinton Street, 11th Floor
PO Box 46005
Newark, NJ 07101

Catherine Wang
Swidler Berlin LLP
3000 K Street, N.W., Suite 300
Washington D.C. 20007

Michael Tavani
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Elise Goldblat, Esq. DAG
Dept of Law & Public Safety
Division of Law, Public Utility
Section
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Danielle C. Burt
Swidler Berlin LLP
3000 K Street, N.W., Suite 300
Washington D.C. 20007

Anthony Centrella, Director
Division of
Telecommunications
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Marshall Howard
Cleartel Communications, Inc.
2855 S. Congress
Delray Beach, FL 33445